

The Simplified Method

To determine your federal tax liability of your retirement allowance in your first year of retirement, review and complete the following sample worksheet. The example illustrates the calculations for a retiree who is 59 on her retirement date of June 30 and who receives an annual retirement allowance of \$30,000.

Please be aware that this worksheet is adapted from the IRS version and applies only to your federal tax liability on your MTRS retirement allowance in the first calendar year of retirement. It does NOT account for any other pension or annuity plans you may have and it does NOT address your potential tax liability after this first year. For additional information, [contact the IRS](#), refer to IRS Publication 575 or discuss this with your accountant or tax advisor.

Sample worksheet: This is not an interactive worksheet that you can fill in on screen. Accordingly, you may want to print this page and complete the worksheet on paper.

Line		Example	You
1	Enter the total retirement allowance amount that you will actually receive this year. (In the example, the retiree received her allowance for July 1 through December 31, or for 6 of 12 months, which equalled \$15,000 for the period.)	\$15,000.00	
2	Enter the total amount of your after-tax contributions to your annuity savings account. This amount is equal to your total contributions prior to January 1, 1988, plus any after-tax service purchases you made after January 1, 1988, and is listed on your Notice of Estimated Retirement Benefit (Estimated After-Tax Contributions) that we send you prior to your retirement.	\$21,000.00	
3	If you retired: <ul style="list-style-type: none">• Prior to 11/7/96 (Box 2a on your form 1099-R is blank) and your age on your date of retirement is:<ul style="list-style-type: none">○ 55 or under, enter 300○ 56-60, enter 260○ 61-65, enter 240○ 66-70, enter 170○ 71 or over, enter 120• After 11/7/96 under Option A or B and your age on your date of retirement is:<ul style="list-style-type: none">○ 55 or under, enter 360○ 56-60, enter 310○ 61-65, enter 260○ 66-70, enter 210	310	

	<ul style="list-style-type: none"> ○ 71 or over, enter 160 • After 11/7/96 under Option C and the combined ages of you and your beneficiary on your date of retirement are: <ul style="list-style-type: none"> ○ 110 or under, enter 410 ○ 111-120, enter 360 ○ 121-130, enter 310 ○ 131-140, enter 260 ○ 141 or over, enter 210 		
4	Divide Line 2 by Line 3 and enter the result	\$67.74	
5	Enter the number of months for which you will receive retirement allowance payments this year	6	
6	Multiply Line 4 by Line 5 and enter the result	\$406.44	
7	Subtract Line 6 from Line 1 and enter the result. This is your taxable amount.	\$14,593.56	

To determine the annual amount to be excluded from your pension income in the following year, take the amount from Line 4 and multiply by 12.